

UNITED STATES INTERNATIONAL TRADE COMMISSION

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2004):
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO
APPAREL OF WOVEN DOUBLE-NAPPED COTTON FLANNEL FABRIC
FROM CARIBBEAN BASIN COUNTRIES**

Investigation No. 332-458-021

November 2004



Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

U.S. International Trade Commission Investigation No. 332-458-021

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| Products | Apparel of woven double-napped cotton flannel fabric |
| Requesting Parties | Picacho, S. A., La Libertad, El Salvador |
| Date of Commission Report: USTR Public | November 4, 2004 November 2004 |
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NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR ON AUGUST 25, 2004. ALL CONFIDENTIAL INFORMATION HAS BEEN REMOVED AND REPLACED WITH ASTERISKS (***)

Summary of Findings

The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible Caribbean Basin countries from certain double-napped cotton flannel fabric, regardless of the source of the fabric, would likely have no adverse effect on U.S. yarn and fabric producers and their workers, because there currently is no known domestic production of the subject fabric. However, one U.S. fabric producer stated that it can produce the subject fabric. The proposed action would likely have little or no effect on U.S. producers of apparel and their workers, but would likely benefit U.S. firms making apparel in the Caribbean Basin from the subject fabric, and their U.S.-based workers, as well as U.S. consumers.

Background

On February 2, 2004, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-458, *Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)). This investigation provides advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2004 with the Committee for the Implementation of Textile Agreements (CITA) under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).¹

The Commission's advice in this report concerns a petition received by CITA on September 23, 2004, alleging that the subject fabric cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petitioner requests that the President proclaim preferential treatment for apparel made in eligible CBTPA beneficiary countries from such fabric, regardless of the source of the fabric.²

¹ For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of Feb. 9, 2004 (69 F.R. 6003) and consult the Commission's website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

² The President may proclaim such action if (1) he determines that the subject fabric or yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner; (2) he has obtained advice from the Commission and the appropriate advisory committee; (3) he has submitted a report, within 60 calendar days after the request, to the House

Discussion of the product

The flannel fabric named in the petition filed on behalf of Picacho, S.A., of El Salvador, is similar to the flannel fabrics specified in three earlier petitions filed on behalf of Picacho (see specifications for the subject fabric in the tabulation below).³ The current petition states that the subject fabric is classified in subheading 5209.31.60 (statistical reporting number 5209.31.6050) of the Harmonized Tariff Schedule of the United States (HTS), which provides for woven dyed and napped cotton sheeting fabric, containing 85 percent or more by weight of cotton, and weighing more than 200 grams per square meter.⁴ The fabric is used by the petitioner to make shirts, trousers, nightwear, robes, dressing gowns and woven underwear, which are classified in HTS chapter 62 (apparel, not knitted or crocheted). The 2004 U.S. general rates of duty on such garments range from 6.1 percent to 19.7 percent ad valorem.⁵

| Fabric specifications | | | | |
|--|--|-------------------------------|---|---|
| HTS statistical reporting number | Finish | Weight and Width ¹ | Construction | Yarn number for warp, filling, and overall average yarn number (AYN) ² |
| 5209.31.6050 | Piece-dyed, napped on both sides, and sanforized | 203 g/m ² ; 150 cm | 21 warp ends/cm 18 filling picks/cm total: 39 threads/cm ² | Warp: 40.6 metric Filling: 13.54 metric AYN: 19.2 metric |
| ¹ The fabric width is "cuttable" width, usable for making the garments. | | | | |
| ² The warp yarn is ring spun, and the filling yarn is open-end spun. | | | | |

The subject fabric, like the flannel fabrics specified in the three earlier Picacho petitions, is a "chamois cloth" flannel fabric that is made wholly of cotton, napped on both sides (double-napped) to impart a soft fuzzy feel, and sanforized to prevent shrinkage.⁶ In addition, the subject fabric, like most of the flannel

Committee on Ways and Means and the Senate Committee on Finance, that sets forth the action proposed, the reasons for such action, and advice obtained; (4) a period of 60 calendar days, beginning with the day on which he has met the requirements of (3), has expired; and (5) he has consulted with such committees on the proposed action during the 60-day period referred to in (3). In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

³ CITA received the petitions on July 14, July 30, and Aug. 12, 2004. CITA subsequently determined that the flannel fabrics covered by these three petitions cannot be supplied by the domestic industry in commercial quantities in a timely manner. It proposed to designate shirts, trousers, nightwear, robes, dressing gowns, and woven underwear assembled in CBTPA beneficiary countries from such fabrics as eligible for preferential treatment under the CBTPA following expiration of the congressional layover period of 60 calendar days (in Nov. and Dec. 2004). The fabrics named in the petitions were the subject of Commission investigations No. 332-458-009, apparel of certain cotton flannel fabrics, No. 332-458-010, apparel of cotton flannel fabrics of yarns of different colors, and No. 332-458-015, apparel of certain cotton napped sheeting fabric.

⁴ Separate data on U.S. imports of the subject fabric are not available because the fabric is grouped with other related fabrics in HTS statistical reporting number 5209.31.6050.

⁵ Data on U.S. imports of apparel articles made from the subject fabric are not available; the statistical annotations in the HTS do not distinguish between garments of cotton flannel fabrics and those of other cotton fabrics. However, apparel articles made from the subject fabric likely represent a small share of total U.S. imports of the specified garments.

⁶ Information in the paragraph is from the current petition filed on behalf of Picacho and received by CITA on Sept. 23, 2004; the petitions filed on behalf of Picacho and received by CITA on July 14, July 30, and Aug. 12, 2004; and from Andrew Lerner, Ben Wachter Associates (BWA), telephone interviews by Commission staff, Aug. 5 and Oct. 19, 2004.

fabrics covered by two of the earlier petitions, is piece-dyed (dyed in fabric form).⁷ According to Ben Wachter Associates (BWA), which designs and markets the garments made with the subject fabric from its New York City offices and manufactures the garments in partnership with Picacho in El Salvador, the subject fabric is a new style and is slightly heavier in weight than the other flannel fabrics.⁸ The warp yarns are ring spun yarns and the filling yarns are open-end spun yarns. The petitioner indicated that “the warp yarns must be ring spun in order to provide the additional tensile strength required to offset the degrading effects of heavy napping on both sides” of the fabric. The petitioner indicated that the production of the flannel fabrics requires specialized machinery for the napping process.

Discussion of affected U.S. industries, workers, and consumers⁹

Information available to the Commission indicates that there is currently no known domestic production of the subject fabric. However, as noted below, Wade Manufacturing Co. states that it can make (weave) the fabric.

Fabric producers

In connection with the Commission investigations regarding the three earlier petitions filed on behalf of Picacho,¹⁰ Commission staff contacted four firms believed to weave cotton flannel fabrics in the United States for apparel applications: Cone Mills LLC, Greensboro, NC; Dan River Inc., Danville, VA; Mount Vernon Mills, Inc., Greenville, SC; and Wade Manufacturing Co., Wadesboro, NC. ***¹¹ ***¹² ***

In connection with the Commission investigations regarding the three earlier petitions filed on behalf of Picacho, Wade Manufacturing said it did not weave the flannel fabrics named in those petitions.¹³ Wade stated that, based on the fabric specifications listed in those petitions (e.g., weight, thread count, number of picks, dyeing techniques, yarn type, and napping), it has the capability to weave each of the specified flannel fabrics in commercial quantities in a timely manner. *** Wade indicated it also can make the yarns listed in the petition. *** Wade noted that it can match the quality of the fabrics from Portugal. ***

Yarn producers

The Commission contacted two yarn producers that Wade Manufacturing stated as possible suppliers of ring spun yarns for flannel fabrics: ***.

Apparel companies and retailers

BWA, a U.S.-based apparel company that is partnering with Picacho (petitioner), stated that the subject flannel fabrics used by Picacho are produced in a few mills in Portugal, which are the only suppliers of the fabric named in the current petition as well as the flannel fabrics named in the three earlier petitions in the

⁷ The two petitions filed on behalf of Picacho that covered piece-dyed flannel fabrics were the subject of Commission investigations No. 332-458-009, apparel of certain cotton flannel fabrics, and No. 332-458-015, apparel of certain cotton napped sheeting fabric. The third Picacho petition, which was the subject of Commission investigation No. 332-458-010, covered flannel fabrics made from yarns of different colors.

⁸ Andrew Lerner, Ben Wachter Associates (BWA), telephone interview by Commission staff, Oct. 19, 2004.

⁹ In general, the manufacturing progression for the subject fabric and the previous and similar flannel fabrics reviewed by the Commission is: (1) fibers are processed or spun into yarns, (2) yarns are woven into fabrics, (3) fabrics are cut into components, and (4) components are sewn into finished goods.

¹⁰ The fabrics named in the three earlier petitions were the subject of Commission investigations No. 332-458-009, apparel of certain cotton flannel fabrics, No. 332-458-010, apparel of cotton flannel fabrics of yarns of different colors, and No. 332-458-015, apparel of certain cotton napped sheeting fabric.

¹¹ ***

¹² ***

¹³ Information in the paragraph is from Bernard M. Hodges, President, Wade Manufacturing Co., telephone interview by Commission staff, Aug. 9, 2004. ***

exact specifications and quality levels demanded by customers. BWA indicated that it sells the garments made from the subject fabric to ***.

The retailers stated that they had sourced flannel fabrics from Cone Mills. However, *** said that Cone Mills had ceased production of chamois-cloth flannel fabrics. The retailer said it subsequently began to use chamois-cloth fabrics made by another U.S. mill,¹⁴ ***. The retailer stated that it is difficult to produce chamois-cloth flannel fabric because of its complexity and that the U.S. industry no longer makes the flannel fabrics named in the current and earlier petitions filed on behalf of Picacho.¹⁵ ***¹⁶

Views of interested parties

No written submissions were filed with the Commission.

Probable economic effect advice¹⁷

The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports of apparel made in CBTPA beneficiary countries from the subject fabric, regardless of the source of the fabric, would likely have no adverse effect on U.S. yarn or fabric producers, or their workers, because there is no known domestic production of the subject fabric or of the yarn used to make the fabric. One U.S. fabric producer, Wade Manufacturing, stated that it has the ability and capacity to produce the subject fabric. ***¹⁸

The proposed preferential treatment would likely have little or no effect on U.S. apparel producers and their workers. Imports supply most of the domestic market for cotton flannel apparel. The expected increase in imports of apparel made in CBTPA beneficiary countries from the subject fabric would likely displace mostly imports from other countries, because U.S. production is likely for niche markets or quick response programs. The proposed preferential treatment would likely benefit U.S. firms making the flannel apparel in CBTPA beneficiary countries by increasing the supply and availability of such fabrics. The proposed preferential treatment also would likely benefit U.S. consumers of apparel made from the subject fabrics to the extent that importers pass on some of the duty savings to retail consumers.

¹⁴ ***

¹⁵ ***, telephone interview by Commission staff, Aug. 10, 2004.

¹⁶ ***, telephone interview by Commission staff, Aug. 9, 2004.

¹⁷ The Commission's advice is based on information currently available to the Commission.

¹⁸ ***, and ***, telephone interviews by Commission staff, Aug. 9-10, 2004.